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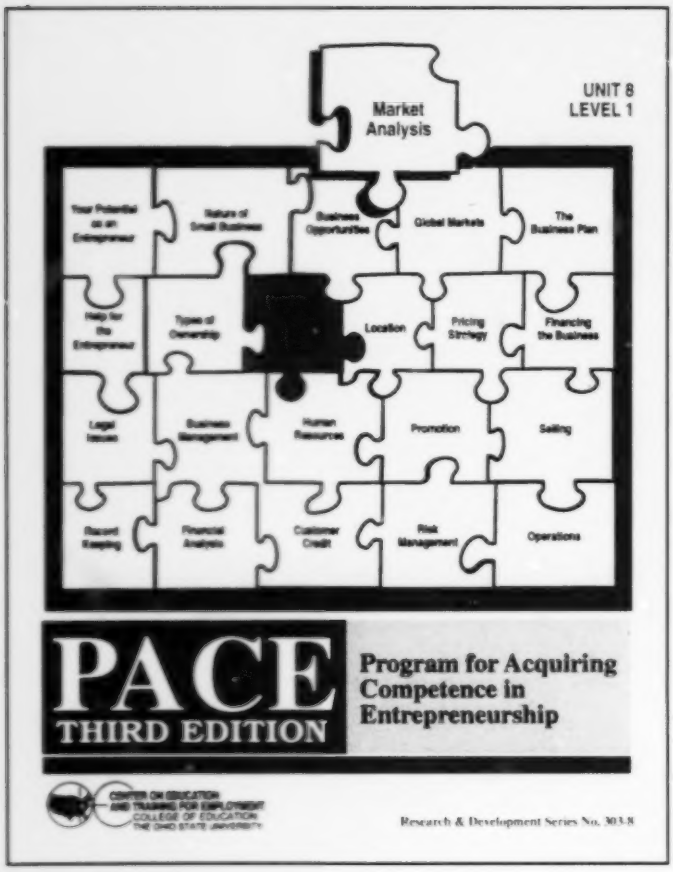
ABSTRACT

This instructor guide for a unit on marketing analysis in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 1 of learning--understanding the creation and operation of a business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: the concepts of marketing and marketing mix; problems in marketing services; the roles of promotion, price, and place in marketing; the importance of marketing research; qualitative and quantitative research; ways businesses compete; and the free marketing system and its operation. (MN)



INSTRUCTOR GUIDE

Unit 8

Marketing Analysis

Level 1

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

Objectives:

- Define marketing.
- Explain marketing mix.
- Discuss the importance of marketing research.

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Objectives	Teaching Suggestions
1. DEFINE MARKETING	
How can marketing be defined?	Encourage students to explore sources other than the AMA for definitions of *marketing*.
2. EXPLAIN THE MARKETING MIX	
What is the marketing mix?	Use the chalkboard or overhead to graphically illustrate the inter-relation of the "Four P's".
What is the product?	Explain the concept of *tangible products*.
What is promotion?	Ask the students to share with the class examples of promotions from in and around their community.
What is price?	Ask students to give examples of products or services that, in their opinion, are priced either too high or too low. Encourage them to explain their choices.
What is place?	Lead a discussion on the importance of the *physical place* in respect to its' selling power.
3. DISCUSS THE IMPORTANCE OF MARKETING RESEARCH	
Is marketing research important?	Collect examples of marketing research to share with the class.
Why is market research important?	Stress the importance of the knowledge of the marketplace that is provided by market research.
What is quantitative research?	On the chalkboard or overhead list examples of both *customer-based research* and *market-wide research*.
What is qualitative research?	On the chalkboard or overhead, and enlisting the help of the class, make a list of several products that everyone uses at one time or another. Divide the class into work teams and help them design a qualitative research instrument. Each member of the team will use the instrument to record their personal feelings about the product(s) in question. The team's research can then be compiled in presentation form.
How do businesses compete?	Explain the relationship of a business' ability to compete and the quality of its' market research.

Objectives	Teaching Suggestions
What is a free market system? How does the free market system work?	A free market system allows a business owner the freedom to make choices. Illustrate how these choices are made easier through the use of market research.

MODEL ASSESSMENT ANSWERS

Marketing is a system of interrelated business activities designed to plan, price, promote, and distribute a product or service.

Product—a tangible ect or offering that is marketed to customers.

Promotion—encouraging a target market to buy a particular product.

Price—the monetary value of a product.

Place (distribution)—the passing of goods and services from the producer or seller to the end user.

Marketing research provides a small business with the information to *plan* for the future. The research will tell them if they are reaching their target market, where the target market can be found, and what it is they want and desire.

Businesses should be concerned with customer satisfaction because the customer is the Boss; if not satisfied with the product or service, they simply will not buy it. Without buyers for their products the business would have no reason to continue.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
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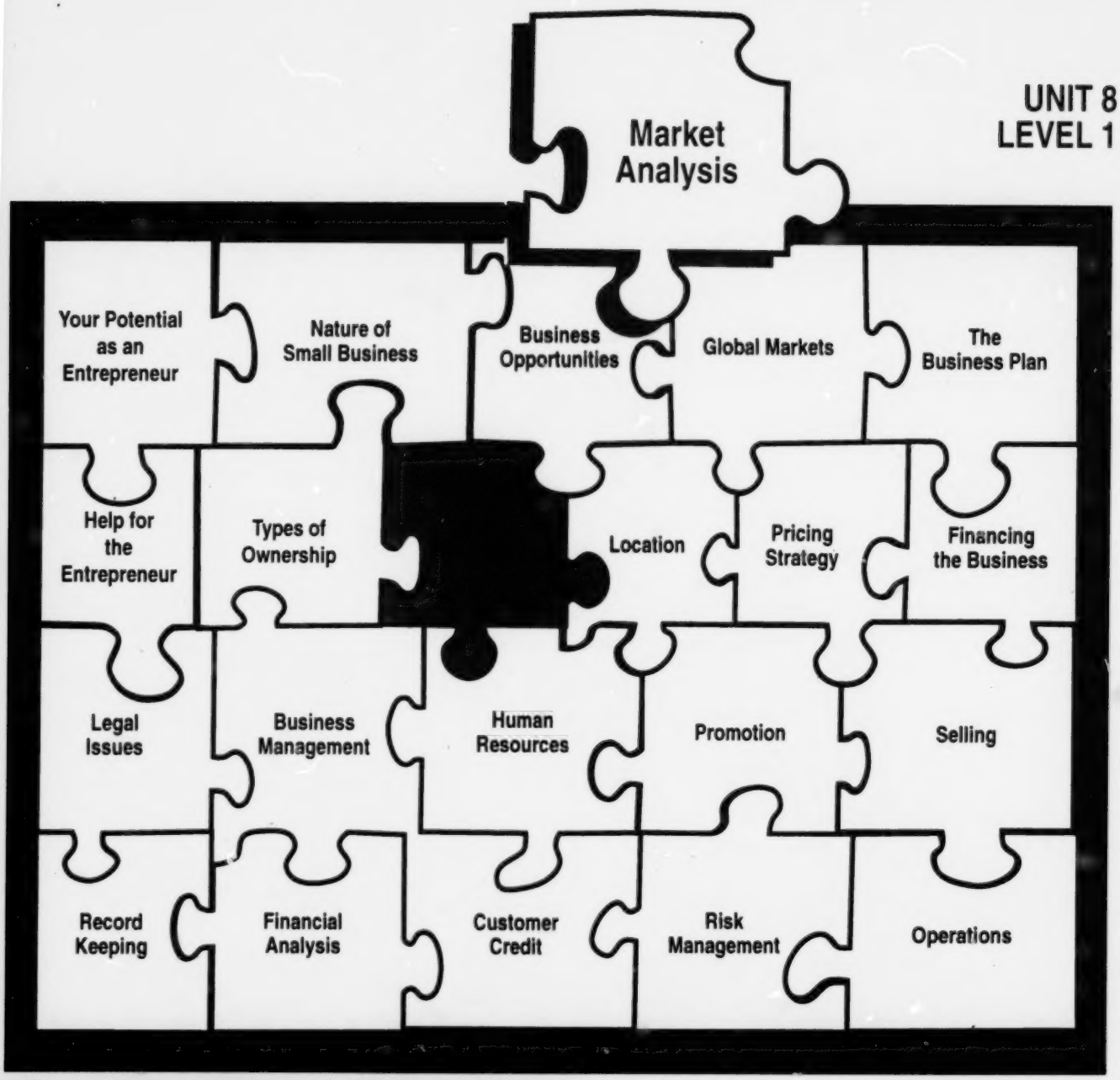
UNIT 8
LEVEL 1



PACE
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Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 301-8

MARKETING ANALYSIS

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

   Endcaps
   Free market system
   Marketing mix
   Research (primary and secondary)
   Target audience

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MARKETING ANALYSIS

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- define marketing,
- explain "marketing mix," and
- discuss the importance of marketing research.

WHAT IS THIS UNIT ABOUT?

Even the simplest business is involved in marketing. Whenever a product is sold or a service is provided, *marketing decisions* must be made.

Businesses make marketing decisions by completing many steps that bring producers and consumers together. Consider the following example.

This morning Nona was awakened by an alarm clock made in Japan. The manufacturer used parts from Switzerland to put together the clock works. The plastic casing was molded in the United States. Nona purchased the clock a year ago with a special rebate that offers a reduced price.

Nona's breakfast consisted of orange juice, milk, and cereal. The juice was made from concentrate prepared in Indiana using Florida oranges. It was shipped by rail to a packaging plant in Illinois and transferred to a wholesaler in Nona's area. Then it was distributed by truck to the supermarket where Nona purchased it.

The cereal was made from wheat grown in Kansas. It was processed in Michigan and then transported to the same supermarket. Nona first heard about this particular brand of cereal and juice from a television advertisement.

Nona's milk came from a farm 10 miles from her home. However, it was first delivered to a dairy 300 miles away, where it was processed and packaged.

Nona stored her orange juice and milk in a refrigerator made mostly of metals. The metals were mined in Venezuela, smelted with coal and coke from Pennsylvania, and then shipped to the sampling plant of the manufacturer in Iowa. The manufacturer assembled the unit with motors from Ohio,

paint from New York, light bulbs from Massachusetts, and aluminum, rubber, copper, plastics, and other materials from sources around the world. The refrigerator's manufacturer had to make sales arrangements with a local appliance store to sell that brand. The store's salespeople sold one of the refrigerators to Nona. She came in to the store because of a newspaper advertisement she had read.

From this example, you can see how many marketing decisions made in many different parts of the world affected Nona's morning.

HOW CAN MARKETING BE DEFINED?

Simply defined, *marketing* is a system of business activities designed to plan, price, promote, and distribute or place want-satisfying products, services, and ideas to target markets in order to achieve organizational objectives. This is in conjunction with the American Marketing Association's definition that marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that

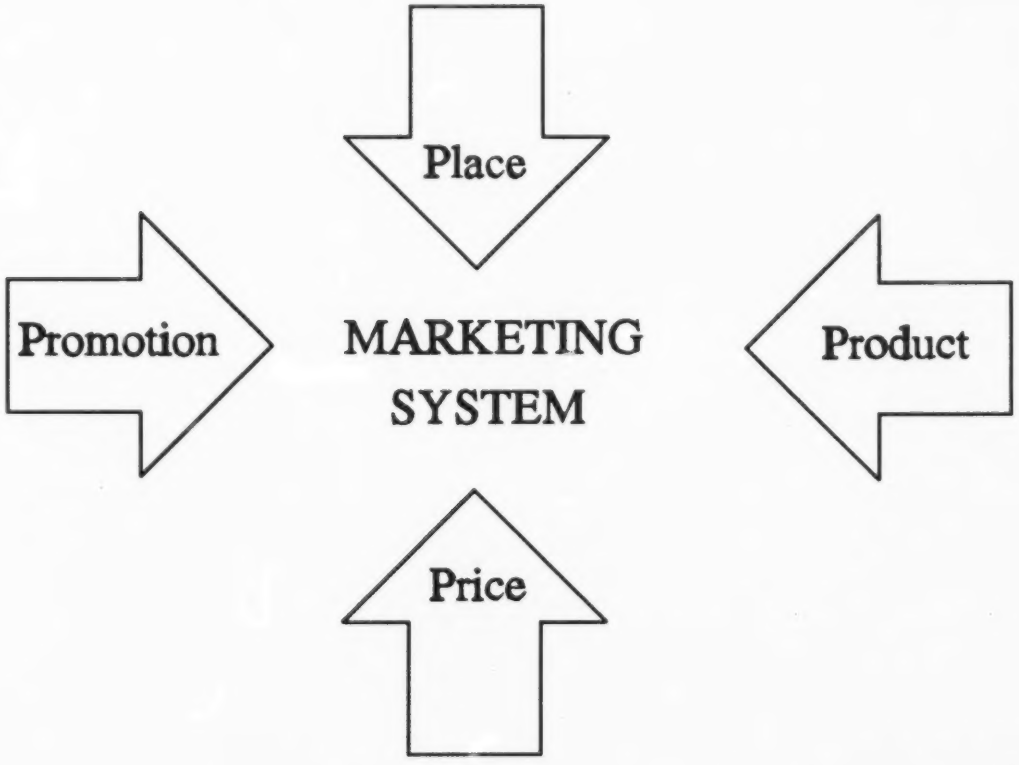
satisfy individual and organizational objectives.

Marketing activities are undertaken so that everyone who participates in the process is satisfied. For example, if Nona disliked the flavor of orange juice, she would not buy it, lowering the amount of juice necessary to be sent to market. A business's primary concern is to offer customers what they want so that a profit can be made. In doing this, the business usually selects a market and tries to get those buyers to purchase its services or goods. In this manner, the business is targeting a particular group of the population and then tries to get those buyers to continue purchasing the targeted product.

WHAT IS THE MARKETING MIX?

The *marketing mix* is composed of four marketing areas: **product**, **promotion**, **price**, and distribution or **place**. This is sometimes called the "Four Ps" of marketing. Each "P" has many elements to it. These elements will be discussed in the ongoing explanation of marketing analysis.

Marketing mix is the phrase that is used to describe how each "P" works together to form the core of an organization's marketing system. Simply stated, these four elements



are the product offerings, the price structure, the promotional activities, and the place or distribution system.

WHAT IS THE PRODUCT?

Product is a tangible object that is marketed to customers. This can be the toothpaste you buy at the local supermarket or the popcorn and cola at the movies. It is consumer package goods, retail goods, and goods sold from one business to another business.

For businesses whose products are services, such as a dry cleaners or the waiter at the restaurant taking your order, the product takes the form of some tangible offering, that satisfies you at that time. So, whereas all products are offerings to the customer, there is a major difference between what is sold by a service firm and what is sold by a retailer or manufacturer.

WHAT ARE PROBLEMS OF MARKETING SERVICES?

Marketing services add a great deal to the marketing process, but occasionally raise problems in that these services—

- cannot be stored.
- cannot be protected through patents.
- cannot be easily displayed or communicated.
- are more difficult to set prices.
- consumer involvement is limited.
- cannot be inventoried.
- standardization and quality are difficult to control.

Marketing services are not tangible items, or items that can be counted and placed in inventory. Like all services, these render people and their ideas as the marketing process being sold.

WHAT IS PROMOTION?

Promotion is the act of furthering a product's growth, encouraging the target market to buy your product. This desired behavior results in either increased short-term sales and/or an association with the product. An example is the commercials you see on television for everything from food to cleaning products. Bear in mind that promotion is more of a short-term focus, due to the timing it has in the marketplace. Promotion is an element of time. If a product is advertised on television but you are not there to see it, the promotion is lost advertising dollars to that company.

WHAT IS PRICE?

Price is the monetary value of a product. To determine this value, many surveys and analyses must be done by the company.

Sometimes, in order to get a proper price, a business will hire another business to survey the target market to determine the amount of money customers are willing to pay for the product. If the price is too high, the company may go out of business because customers are not willing to pay what the company is charging for the product. Price is an extremely important part of the marketing mix and customer satisfaction.

WHAT IS PLACE?

Place or *distribution* can be defined as the passing of goods and services from the producer or seller to the user. This includes shelf space used by retailers. When you go into the store and see eight items of the same type of product on the shelf, placement becomes more important in your choice of which product to choose. Do you bend down to the bottom shelf to pick that product, or do you choose the one at eye level? If the customer does not care which product he or she grabs, it will make a difference in which product is closer to the buyer; the placement of the product is an important factor. Also, distribution of products on grocery end aisles, or *endcaps*, becomes an additional selling factor for promoting your product.

IS MARKETING RESEARCH IMPORTANT?

To understand the importance of marketing research, you must understand what it is. Marketing research is the complete and objective gathering and analysis of data that pertain to a given problem in marketing.

Marketing research tends to be conducted on a project-to-project basis, with each project having starting and ending dates. Marketing research tends to stress the collection of past data collection for those projects. Decisions are made based on what the company wants and what the market demands are.

Marketing research as a business function is only 10 to 15 years old. Given today's challenging marketing conditions, businesses are relying on it more and more to analyze product information. To better aid companies, research is divided into two categories: *quantitative* and *qualitative* research.

WHAT IS QUANTITATIVE RESEARCH?

Quantitative research information or *data* is usually obtained through surveys of customers who are interested in products like the ones your company produces. There are two types of methods usually used. One is customer-based research, which provides information about a company's own customers. The other is marketwide research (nationwide or even worldwide), which is used to provide information about the overall purchaser base of people who might or do use the product you are interested in finding more about.

WHAT IS QUALITATIVE RESEARCH?

Qualitative research typically involves small groups of consumers who are asked to tell why they like or dislike a particular product. These studies also might ask why a consumer uses one type of product instead of another. Qualitative research is also used to find the strengths and weaknesses of other product competition.

Qualitative research is used to add depth and richness to research findings. For example, quantitative research may show that a company has a sales problem because of lower sales of the product due to new competition in the product line. Qualitative research can be used to help explain how consumers really feel and why they have stopped buying the product.

Primary and Secondary Research

Primary research is actually doing the research yourself. If you want to see how well your product, such as a cereal, is doing in a store, you could watch people as they picked up your product or simply picked up another brand. You actually see the product being moved from the shelf to the consumer's basket to being bagged. *Secondary research* involves going to an outside agency, such as a library, to have someone else do the work and give you a report about what happened.

WHY IS MARKETING RESEARCH IMPORTANT?

When your business needs answers to questions regarding the marketing mix or a target market, you must rely on marketing research data. An information gathering process must be set up by the entrepreneur with the following five steps used as an outline:

1. Define and locate the problems.
2. Develop a theory.
3. Collect data.
4. Interpret findings.
5. Report and act on findings.

The failure of many companies has been attributed to a lack of proper and accurate marketing research. Uncertainty can be reduced by doing research. The marketing philosophy based on what customers think can be implemented through this information about potential customers.

HOW DO BUSINESSES COMPETE?

Every business must show customers that it has something special—something competitors do not have. A company's "something special" may be a lower price, a better location, or an extra service. Customers will look for the things that give them better value for the money they are spending. In a free economy or market, when the customer speaks businesses listen. Businesses that do not try to keep up with consumer desires will face almost certain failure.

WHAT IS A FREE MARKETING SYSTEM?

The American economy can be described as a *free market system*. This means that, within certain limits, businesses are allowed to sell any products or services that they choose. Consumers can also use their money to buy anything they would like to own.

In most situations, businesses are free to charge whatever they choose for the products or services they are selling. Consumers, on the other hand, can shop among several businesses until they find the best price for the things they want to buy.

This *free market* is quite efficient, but businesses do not always make the right choices. Businesses sometimes decide to make products, but then the consumers fail to buy them. This could be because companies are charging a higher price than most consumers are willing to pay, or that the product is priced too low and customers feel the quality is poor.

HOW DOES A FREE MARKET SYSTEM WORK?

The relationship between businesses and consumers in a free market system is based on supply and demand. If customers want to buy more of a product than can be supplied by businesses, this is called a high demand, and the price will usually increase. On the

other hand, if more products are available than consumers want to purchase, the supply is high, and the price will usually go down. The market will work best when businesses provide just as many products as customers want to buy at the right price. Prices for those products should be high enough for businesses to pay for the costs of producing and marketing the product and to make a reasonable profit.

Based on this simple description of supply and demand, it should be clear that businesses will be most successful if they have what consumers want to buy. In this way, businesses will not waste money on products and services that have no chance of being sold. Also, customers are more willing to pay a reasonable price for a product if they know it is something they want and can use. All businesses must do their best to find out what their customers want and don't want. Understanding marketing techniques will aid those who truly want to fill the needs and desires of the customer.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

Interview three people to find out what they think *marketing* means. Compare their definitions with the one in this unit. If you find differences in their explanations, try to ascertain why people have different ideas about marketing.

List each of the four elements of the marketing mix and give three examples of each.

B.

There is a fifth "P" which is often added to the marketing mix. This "P" is for people, since people are the main reason for the marketing mix. Why do you think people are important in the marketing mix? Give five reasons for your decision.

C.

Choose one product that you use regularly. Using primary (interviews, surveys, etc.) and secondary (library resources) research, see if you can find each step the product went through, to get to the place where you purchased it.

GROUP ACTIVITIES

A.

Work in teams of four to six. Devise a marketing strategy for a company in your area such as a clothing store or a fast-food restaurant. What role does the marketing mix play? Write your results on a sheet of paper and use this information to determine what primary and secondary research might be done.

B.

Work in teams of four to six. Select several products and set them in a line according to the number of processes which are required to get the product to market. Begin with a loaf of bread, for example, and write all the steps it takes from cutting wheat in the field to a customer purchasing the finished product on the grocer's shelf.

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CASE STUDY

A little over 2 years ago, Gene Harter and his son Raymond considered purchasing riding lawn mowers for their suburban homes. After comparing several competitive models, both men bought the same brand of mower from a local farm equipment dealer. After using their mower a few times, they were completely dissatisfied.

The men were confident that they could build a better lawn mower than the ones they had purchased. Since they were the owners and operators of an equipment-manufacturing firm, they had both the experience and the facilities to do so. After 2 years of engineering development and manufacturing effort, the Harters recently unveiled their new Peg-Leg riding lawn mower. Gene and Raymond believed they had produced a high-quality, compact mower that would be easy to operate and maintain, one that provided easy bagging of cut grass.

Now that their mower was available, Gene and Raymond faced a number of questions about the marketing of the product. They especially wanted to determine just what constitutes the market for the mower.

Outline a marketing plan which they could use in selling the mower. What is their next step in marketing the mower?

DISCUSSION QUESTIONS

1. What market should the Harters target for their lawn mower?

2. What marketing mix (product, price, place, and promotion) do you think the Harters should use?

3. How would you outline a marketing plan for the Gene and Raymond Harter's product?

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Explain what marketing is.

2. List and describe the four major functions of marketing (marketing mix).

3. Why is marketing research necessary as small business moves into the future?

4. Discuss the effect of the free market system on decisions made by businesses *and* decisions made by customers.

5. Explain why businesses should be concerned with customer satisfaction.

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
⇨ Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
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Unit 12. Legal Issues
Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business